

Service Date: November 14, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Applications of)	UTILITY DIVISION
MONTANA-DAKOTA UTILITIES COMPANY, a)	
Division of MDU Resources Group,)	DOCKET NOS. 88.11.48
Inc., for Authority to Implement the)	89.5.10
Gas Cost Tracking Procedure to Estab-)	89.11.40
lish Decreased Rates for Gas Service.)	
<hr/>		ORDER NO. 5515

* * * * *
FINAL ORDER
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FINDINGS OF FACT

Docket No. 88.11.48

On November 1, 1988, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheet 88. The filing was given Docket No. 88.11.48. The Company requested that the adjustment be implemented effective December 1, 1988, subject to Federal Energy Regulatory Commission (FERC) authorization of Williston Basin Interstate Pipeline Company's (WBIP) September 30, 1988, PGA filing.

In its application, MDU proposed net decreases over the current tracking adjustment in the amounts of 24.8 cents per dkt

for residential and commercial customers and .1 cents per dkt for industrial customers, or approximately \$1,688,000 during the proposed effective period until May 31, 1989.

According to MDU, these requested decreases were the result of two significant actions on the part of WBIP, MDU's major supplier of gas. One action by WBIP that has served to lower MDU's proposed gas costs in this proceeding was the implementation of open access natural gas transportation services on WBIP's system, which has allowed MDU to acquire 15 percent of its gas supply from sources other than WBIP. The other action was WBIP's filing of its quarterly Purchased Gas Adjustment (PGA) with the FERC, which was effective November 1, 1988, and also served to reduce MDU's proposed gas costs in this proceeding. These changes have been incorporated in MDU's filing.

On November 28, 1988, the Commission approved Interim Order No. 5380 in this docket, which granted MDU's requested rate reductions as filed (24.8 cents per dkt reduction for residential and commercial customers and .1 cents per dkt reduction for industrial customers), effective for services rendered on and after December 1, 1989, and subject to rebate provisions. At September 30, 1988, MDU had 59,779 customers in Montana whose cost of service would be affected by this adjustment in rates.

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Docket No. 89.5.10

On May 1, 1989, MDU filed with the PSC its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheet 88. The filing was given Docket No. 89.5.10. The Company requested that the adjustment be implemented effective June 1, 1989, subject to FERC authorization of WBIP's proposed rate changes or such other date as may be specified by the FERC for WBIP's proposed rate changes.

In that application, MDU proposed net increases over the current tracking adjustment in the amounts of 29.1 cents per dkt for residential and commercial customers and 51.7 cents per dkt for industrial customers, or approximately \$819,000 during the proposed effective period until November 30, 1989.

According to MDU, these requested increases were the result of three significant actions on the part of WBIP, MDU's major supplier of gas. One action by WBIP that has served to increase MDU's proposed gas costs in this proceeding was the filing of a general rate case with the FERC, effective June 1, 1989. The second action was WBIP's filing of its quarterly PGA with the FERC, which was effective February 1, 1989, and also served to increase MDU's proposed gas costs in this proceeding. The third action increasing MDU's proposed gas costs in this proceeding was WBIP's filing of its quarterly PGA, effective May 1, 1989. These changes have been incorporated in MDU's filing in this proceeding.

On May 22, 1989, MDU filed with the Commission a revised Gas Cost Tracking Adjustment change pursuant to the terms of its Rate 88. This revised filing reflected the fact that on May 1, 1989, WBIP filed with the FERC an Out-of-Cycle PGA proposed to be effective June 1, 1989.

The net impact of MDU's revised filing on rates in effect at that time (the combined effect of the original May 1, 1989, filing and the revised filing) was a reduction of 49.2 cents per dkt for residential and general service customers and a reduction of 44.9 cents per dkt for industrial customers, or approximately \$1,153,000 during the proposed effective period until November 30, 1989.

In its revised filing, MDU expresses concern that much of the WBIP decrease may be only temporary and that MDU will be faced with increases in its gas tracker filing to be effective December 1, 1989, that will largely offset the decrease proposed by WBIP because the WBIP decrease will not have a continuing effect on WBIP's gas costs.

MDU calculates that the estimated change in rates to be effective December 1, 1989, incorporating all the factors discussed above, would be a net increase of 32.0 cents per dkt for residential and general service customers and a net increase of 56.9 cents per dkt for industrial customers, effective at the beginning of the winter heating season.

In the interest of rate stability, MDU proposed an alternate calculation for the Commission's consideration. The alternate calculation for residential and general service customers proposed that the current gas costs anticipated to be in place for the winter heating season be authorized at this time. This proposal would mean that for the months of June through October, MDU would overcollect actual gas costs from its customers. Under the deferred accounting procedure in Rate 88, MDU will defer such difference which, at December 1, 1989, is estimated to offset an expected increase in the unreflected gas cost adjustment from the June 1, 1989, negative level. Thus, the overcollection for the

months of June through October will be preserved to be passed back with interest to customers during the next winter heating season, which will provide a means of achieving rate stability through a lower unreflected gas cost adjustment in December.

Under the alternate proposal for residential and general service customers, MDU estimated that the adjustment required for the heating season to be effective December 1, 1989, would be no change in the current gas cost adjustment or the unreflected gas cost adjustment.

For industrial customers, MDU proposed no rate change at this time. MDU said that this will result in a modest increase in December which would be partially offset by a negative balance in the unreflected gas cost account at that time. MDU also said that this proposal will have minimal impact on MDU and its industrial customers since most industrial customers are currently taking transportation service.

MDU said that the alternate calculation reflects a decrease of 29.5 cents per dkt for residential and general service customers and no change for industrial customers from current rate levels, or approximately \$691,000 during the proposed effective period until November 30, 1989.

MDU requested that the Commission allow the pass-through of the alternate proposal effective June 1, 1989, subject to FERC authorization of WBIP's proposed rate changes or such other date as may be specified by the FERC for WBIP's proposed rate changes.

On May 30, 1989, the Commission approved Interim Order No. 5412 in this docket, which granted MDU's requested rate reductions as proposed in the Company's alternate proposal contained in MDU's revised filing of May 22, 1989 (29.5 cents per dkt reduction for residential and general service customers and no change for industrial customers). This decision was effective for

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services rendered on and after June 1, 1989, and was subject to rebate provisions. At March 31, 1989, MDU had 60,926 customers in Montana whose cost of service would be affected by this adjustment in rates.

Docket No. 89.11.40

On November 1, 1989, MDU filed with the PSC its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheet 88. The filing was given Docket No. 89.11.40. The Company requested that the adjustment be implemented effective December 1, 1989, subject to FERC authorization of WBIP's June 1, 1989, PGA filing and various other filings before the FERC, which are described below.

In its original filing, MDU proposes net decreases over the current tracking adjustment in the amounts of 9.6 cents per Dkt for residential and commercial customers and 29.5 cents per Dkt for industrial customers, or approximately \$632,000 during the proposed effective period until May 31, 1990.

In its application, MDU discusses the various WBIP filings before the FERC that have occurred since the time when the Commission established MDU's present gas cost tracking adjustment level. There have been four significant actions by WBIP that have an impact on MDU's cost of gas at the town border station. This filing reflects the net effect of all of these actions. The specific actions taken by WBIP are as follows:

- a.) On June 1, 1989, WBIP filed with the FERC its annual PGA, which became effective August 1, 1989, and served to reduce MDU's proposed gas costs in this proceeding.

- b.) On September 28, 1989, WBIP filed with the FERC its quarterly PGA to be effective November 1, 1989, and which served to reduce MDU's proposed gas costs in this proceeding.
- c.) On September 29, 1989, WBIP filed revised tariffs with the FERC to reflect its customer's second conversion of sales service to firm transportation service effective November 1, 1989.
- d.) On October 3, 1989, WBIP filed further revised tariff sheets with the FERC to reflect separate storage charges for service rendered under its Rate Schedule S-2, which affected WBIP's other rate schedules.

On November 16, 1989, MDU filed with the Commission a Revised Gas Cost Tracking Adjustment change pursuant to the terms of Rate 88. In the revised filing, MDU says that on July 31, 1989, the FERC issued a Letter Order approving the rates set forth in WBIP's annual PGA, effective August 1, 1989, subject to refund. On October 20, 1989, the FERC issued a Letter Order approving the rates set forth in WBIP's quarterly PGA, effective November 1, 1989, subject to refund. On October 31, 1989, the FERC issued an Order approving WBIP's customers' second conversion of sales service to transportation service effective November 1, 1989, subject to refund. Also, MDU says that on October 31, 1989, the FERC issued an Order suspending the proposed tariffs establishing separate storage charges until April 3, 1990.

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In its revised filing, MDU states that the suspension of WBIP's rates concerning the establishment of separate storage charges causes the need for a revision in MDU's gas tracker filing in this proceeding, since the original filing reflected rates that MDU will not be charged.

In its revised filing, MDU proposes net decreases over the current tracking adjustment in the amounts of 2.1 cents per Dkt for residential and commercial customers and 9.9 cents per Dkt for industrial customers, or approximately \$138,000 during the proposed effective period until May 31, 1990.

On November 27, 1989, the Commission approved Interim Order No. 5437 in this docket, which granted MDU's requested rate reductions as proposed in the Company's revised filing of November 16, 1989 (2.1 cents per Dkt reduction for residential and general service customers and 9.9 cents per Dkt reduction for industrial customers). This decision was effective for services rendered on and after December 1, 1989, and was subject to rebate provisions.

At September 30, 1989, MDU had 59,843 customers in Montana whose cost of service would be affected by this adjustment in rates.

In both its original and revised filing, MDU proposes that the industrial unreflected gas cost adjustment should be zero, even though there is a negative balance in the unreflected gas cost account for such customers at September 30, 1989. MDU says that,

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given the extreme uncertainty and volatility of industrial sales, MDU proposes to refund the balance directly to the applicable customers. MDU requests that such refunds be approved on an interim basis and MDU will provide a report to the Commission detailing such refunds.

Concerning MDU's proposal of refunding the balance of the unreflected gas cost adjustment directly to the applicable industrial customers, consistent with Interim Order No. 5280a, the Commission found this proposal unacceptable on an interim basis.

Accordingly, the Commission determined in Interim Order No. 5437 that MDU must set aside that refund money, accruing interest at the Company's approved return on equity, until this matter is resolved in the Final Order of this proceeding. Since a request for a hearing on these matters was not filed pursuant to the Notice of Opportunity For Public Hearing, the Default Order in this Docket approves MDU's proposal to refund the accrued amounts directly to the industrial customers, including interest. This approach is consistent with a similar finding in Final Order No. 5490. The Commission also finds that MDU must provide the Commission on a timely basis with evidence that the refunds to the industrial customers have been made in a manner consistent with the Findings of this Default Final Order.

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On October 5, 1990, the Commission issued a Notice of Opportunity For Public Hearing (Notice) in these Dockets. The Notice stated that if any person having proper standing requested a hearing by November 5, 1990, the Commission would schedule such a hearing. Since no requests for hearing in these Dockets were received by that date, the Commission is issuing Final Order No. 5515.

Based on the above discussion of the facts presented in these Dockets, the Commission gives Final approval to the rate changes and cost of service and rate design proposals approved in Interim Order Nos. 5380, 5412, and 5437. The Commission finds MDU's applications in these Dockets to be complete filings. Approval of the rates in Interim Order Nos. 5380, 5412, and 5437 on a Final basis does not cause a change to MDU's gas rates currently in effect.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing natural gas service within the State of Montana and, as such, is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations

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pursuant to MCA Section 69-3-102 and Title 69, Chapter 3, Part 3, MCA.

3. The Commission has provided adequate notice of all proceedings and opportunity to be heard to all interested parties in these Dockets. MCA, Title 2, Chapter.

4. The rate levels and rate structure approved herein are just, reasonable, and not unjustly discriminatory. MCA, Section 69-3-330.

ORDER

1. Applicant, Montana-Dakota Utilities Company, is hereby granted relief on a Final basis for each of the three Dockets in the following manner: Docket No. 88.11.48 - 24.8 cents per dkt reduction for residential and commercial customers and 0.1 cents per dkt reduction for industrial customers; Docket No. 89.5.10 - 29.5 cents per dkt reduction for residential and general service customers and no change for industrial customers; and Docket No. 89.11.40 - 2.1 cents per dkt reduction for residential and general service customers and 9.9 cents per dkt reduction for industrial customers.

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2. Applicant must abide by the Findings of Fact in this Final Order concerning the refund of money to Applicant's industrial customers.

3. Such relief is effective on a Final basis for services rendered on and after November 8, 1990.

4. Applicant must file its new rates in compliance with the Findings of Fact in this Final Order concerning rate design and cost of service.

5. The Commission determines that these three applications are complete filings.

DONE AND DATED this 8th day of November, 1990, by a 5-0 vote.

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BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.